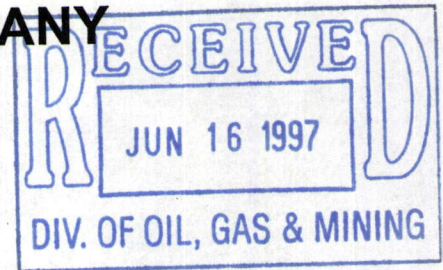


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JUMBO MINING COMPANY

6305 Fern Spring Cove
Austin, Texas 78730
512-346-4537 (Ph.)
512-346-3188 (Fax)



June 12, 1997

File: BLMU4177

Mr. Rex Rowley
Area Manager
Bureau of Land Management
House Range Resource Area
35 East 500 North, P.O. Box 778
Fillmore, Utah 84631

Dear Mr. Rowley:

Re: Your letter dated January 15, 1997

Please forgive the delay in responding to the subject letter, a delay made necessary partly by the serious illness and hospitalization of our attorney, Z. Lance Samay, Esq., in part by the tardiness of the DWQ in providing us with answers and assistance regarding permitting for our new pad and, finally, by the legal considerations attending the announced DOGM Board Hearing. In your letter you indicated that you would allow three months from the date of your letter to complete the permitting of the new pad. We regret to advise you that we have been unable to meet this schedule due primarily to the slowness of responses by the DWQ, a matter entirely out of our control.

BACKGROUND INFORMATION:

For your information, in June, 1988 Jumbo Mining Company entered into a contract with Western States Minerals Corporation to purchase the Drum Mine (the "contract"). The contract clearly and succinctly spelled out the responsibilities of the two parties with respect to reclamation. (Copy attached for your ready reference to the only page which deals reclamation in the entire contract.) Pursuant to this contract, as quickly as it could produce new reclamation maps and complete negotiations with DOGM on the bond amount, Jumbo posted bond for the reclamation of all of the areas which it could leach or mine after its take over of the property. All parties agreed to this division of reclamation responsibilities at the time. Later, after Western had received final contract payments from Jumbo, Western announced that the contract with Jumbo contained an error in that the contract should have placed the complete reclamation responsibility on

Jumbo, including the liability for 55,000 cubic yards of topsoil which Western had failed to preserve in violation of its permit requirements, as well as the obligation to reclaim six illegally constructed heaps which had been shut down by order from DWQ to Western. Under these circumstances it is obvious that Jumbo would never have entered into this contract had the contract not placed the primary reclamation responsibility on Western.

Instead of immediately bringing this supposed "error" to the attention of Jumbo, Western proceeded to accept additional contract payments of approximately \$500,000 from Jumbo, after the "error" had been brought to its attention by its auditors. Only after having received final payments, did Western announce its belief that the contract which it drafted, negotiated and signed the contract with Jumbo. During the initial three months' due diligence period, before closing of the contract, as well as before payment of the final \$500,000, Jumbo advised Western that the contract did not hold Jumbo liable for reclamation of prior disturbances.

After Jumbo refused to accept reclamation responsibility for the various illegal actions of Western, which had occurred prior to Jumbo's contract with Western, Western filed suit in Colorado, asking to have the contract (which its lawyers had drafted) rewritten to place the reclamation responsibility on Jumbo. Now, six years later, this lawsuit is still crawling its way through the Colorado courts. Presently the Supreme Court of Colorado is considering Jumbo's petition for a Writ of Certiorari, which was filed with a view toward reversing the erroneous findings and conclusions of the Colorado trial court which "reformed" Jumbo's contract with Western.

Because of Western's illegal construction of six of the ten heaps, and its refusal to allow Jumbo to get new permits on two of these heaps, Jumbo has not been able to carry out its original operating plan on the old heaps, or generate enough revenue from the property to build new heap leach pads. Due largely to the cloud of the lawsuit hanging over the property, Jumbo has been unable to interest other parties in financing the operation. These most unusual circumstances should easily qualify Jumbo for an exception to the 5 year "may require reclamation" language contained in DOGM's Amended and New Rules, Minerals Reclamation Program, specifically R647-4-117.4.

If Jumbo will prevail before the Supreme Court of Colorado, it may well be able to recoup the damages that it claimed in a lawsuit against Western which, with accumulated interest, now amount to between \$5 million and \$17 million. We firmly believe that eventually we will win this lawsuit. The damages to be collected from this lawsuit should be enough to place the mine back in full operation, even if we cannot secure other financing sources. At the appropriate time we will submit evidence of more than \$12 million in proven, recoverable gold reserves. Separately, we will provide to you reports by two independent experts who are prepared to testify as to the commercial viability of the operation. And, we will show that if reclamation is required by the government, this action would represent an unwarranted and illegal taking of

property valued at over \$1 million. That is, the infrastructure and machinery which would be destroyed by reclamation would have a replacement value of over \$1 million.

Addressing certain specific matters contained in your letter which need rebuttal, we have the following comments:

- 1) **The December 9, 1988 letter to you by R. L. Moore:** I believe this is the first time I have seen this letter, and I can assure you that it was not intended to commit the corporation, Jumbo Mining Company, to assume "reclamation responsibility for all the disturbances created by Western States under its 1983 POO, and their two 1984 amendments to move a waste dump to an alternate location", etc. Mr. Moore was the Leaching Operations Foreman, not an officer of Jumbo Mining Corporation and had no authority to commit the corporation on such matters, even if that had been his intention, which we contend it certainly was not. I might add that Mr. Moore most likely had never seen the Plan of Operations submitted by Western, nor its amendments. All he was saying was that he had no intention of changing the methods of leaching operations which had been explained to him by the prior leach operators who remained on our payroll.
2. With respect to the reclamation of the 10.6 acre waste dump site, it is our contention that, by contract, this remains the responsibility of Western. Jumbo has made it plain in various communications and on all final reclamation maps that it has never disturbed this site and has never assumed the responsibility for it.
3. Regarding the various drill sites left behind unreclaimed by Western, our position is the same as above.
4. With respect to the Mizpah site, we agree that, until our POO for this site has been accepted and bonded by DOGM, the reclamation responsibility remains with Western.
5. We agree with respect to the road which Jumbo built or improved, which connects the Drum leach plant site to the Alto Mine, Jumbo will apply for a right of way this week.
6. Cuts and drill sites created by Jumbo under July 15, 1997 Notice of Intent: Jumbo will reclaim these after agreement has been reached as to their location, etc.
7. Mine site drill holes: We will include justification for leaving some of them open for future monitoring of the perched saturation zone near the location where the new heaps are to be constructed. Others will be plugged promptly.
8. Heaps 1, 2, 3, and 4-5: These heaps were rinsed and drained into an intact leachate collection system before shutdown. Samples of storm drainage and from nearby monitoring wells, taken many times over the last five years from these heaps, have demonstrated, over and over, the effectiveness of this decontamination.

We have done our best to move along the permitting for new heaps, but we have been faced with repeated delays in responses from the DWQ. Thus, we are unable to respond to your three months deadline "to complete the permitting for the new pad." In the final analysis the permitting process is not in our control.

With respect to your six months' deadline, after permitting has been completed, to construct a new heap and move the old heaps on to it, again the timing is not under our control. Moreover, we do not see any practical or regulatory legal basis for this deadline. Various legal, financial, and regulatory factors will ultimately dictate the timing of our ability to accomplish this task.

9. DWG cooperation: We have done everything in our power to cooperate with DWQ. We cannot say the same in reverse, as indicated by their slow response times. We have provided DWG with positive sampling information over the past five years which demonstrates beyond a reasonable doubt that these heaps have not, and do not, represent any environmental hazard. And, we have proposed a sensible economic reason why they should not be reseeded (there is no indication of a need for water tight capping) until they can be reprocessed. DWQ, on the other hand, has never provided any justification for its continued reluctance to accept the hard evidence provided to them, including results from many samples taken by regulatory personnel, and results from the computer modelling program which DWQ recommended.

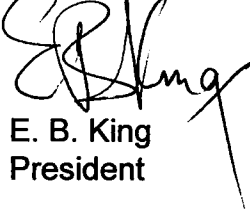
10. Economic Evaluations: In the role of skeptical investors, from the beginning of our negotiations with Western, we have had in our possession favorable engineering evaluations of the recoverable gold reserves on the properties. These are backed up by our own mining and leaching experience on the properties during 1988 to 1990, and thousands of feet of exploration drilling, as well as the records of mining and processing of several million tons of ore by Western. At the appropriate time in the forthcoming DOGM Board hearings we will supply reports and testimony by independent engineers to verify the economic viability of this property.

11. Pipeline ROW and Communication Site: We agree on the former, and believe that the latter has been taken care of.

12. Final shut down and reclamation: It is our contention that, under DOGM Rule R647-1-106 Definitions, we have at all times conducted mining operations on the properties. We have maintained a 24-hour-a-day, seven-day-a-week staff on the site, and have conducted extensive drilling, sampling, mapping, geophysical activities, engineering, exploration and development activities. All of these fit under DOGM's definitions of mining activities. Thus, to the extent that the rules of DOGM coincide with those of the BLM, or supersede them, our contention is that we have never been in a mode of "non-operation", as referenced in your regulations, 43 CFR 3809.3-7. Further, we believe that 43 CFR 3809.0-0-5, *Definitions*, sub paragraph (f), *Operations*, clearly includes the activities conducted by Jumbo during the last five or six years. Accordingly, an order for reclamation at this time is not appropriate.

Please do not hesitate to contact me or Dave Hartshorn should you have any questions about the matter.

Sincerely,

A handwritten signature in black ink, appearing to read "E. B. King", with a long, sweeping horizontal stroke extending to the right.

E. B. King
President

cc: D. Hartshorn, Drum Mine
W. Hedberg, DOGM
M. Novak, DWQ, DEQ
Steven Phirirot, DEQ, DER&R
Robert Resendes, Director Central Utah Public Health Dept.
Gary Austin, DEQ, DER&R
Doug Taylor, DSH
Roger Foisey, DEQ, District Engineer, Central District
Jerry Reagan, Millard County Planning and Zoning

EXHIBIT F

QUITCLAIM DEED AND ASSIGNMENT

THIS QUITCLAIM DEED AND ASSIGNMENT, effective the ____ day of OCTOBER 11, 1988, is from WESTERN STATES MINERALS CORPORATION, a Utah corporation ("Assignor"), whose address is 4975 Van Gordon Street, Wheat Ridge, Colorado 80033, to ASOMA (UTAH) INC., a Delaware corporation ("Assignee"), whose address is 6305 Fern Spring Cove, Austin, Texas 78730.

In consideration of Ten Dollars (\$10.00) and other valuable consideration, and further in consideration of the mutual covenants, agreements, and promises herein contained, the parties hereto agree as follows:

1. Quitclaim. Assignor quitclaims to Assignee the unpatented lode mining claims more particularly described in Exhibit A attached hereto and incorporated by reference herein.

2. Assignment. Assignor assigns to Assignee all the right, title, and interest of Assignor in and to those certain leases, agreements, and permits described in Exhibits B through E attached hereto and in an to BLM right of way No. U-51906.

3. Indemnity. Assignee agrees to comply with and to be bound by the terms and conditions of said leases, agreements, and permits and shall indemnify and hold harmless Assignor from any claims, damages, costs, or expenses (including attorneys' fees) resulting from any default under said leases, agreements, and permits after the date of this Quitclaim Deed and Assignment or from any operations or activities of Assignee after the date of this Quitclaim Deed and Assignment on or in connection with the lode mining claims or the properties covered by the leases, agreements, and permits. Assignor shall be responsible for all reclamation on the lode mining claims and the properties.

4. Royalty. (a) Assignor reserves, and Assignee shall pay to Assignor, a production royalty of five percent (5%) of the Net Smelter Returns from all minerals, including by products and co-products thereof, produced and sold from the lode mining claims described in Exhibit A, and one percent (1%) of the Net Smelter Returns from all minerals, including by-products and co-products thereof, produced and sold from the properties covered by the leases, agreements, and permits described in Exhibits B through E.

(b) "Net Smelter Returns" means the actual proceeds of sale received by Assignee from the sale of ore, ore concentrates, bullion or other products mined, produced, and sold from the lode mining claims and the properties from a smelter, refinery

or other ore buyer after the deductions of smelter or refining charges, ore or bullion treatment charges, penalties, and any and all charges made by the purchaser of ore, bullion, or concentrates, less any and all transportation and insurance costs which may be incurred in connection with the transportation of ore, ore concentrates, bullion, or other ore products from the point of last processing by Assignee, less all umpire charges and any taxes, except income taxes, imposed on production or severance of ore or ore concentrates including, by way of example, the Utah Mine Occupation Tax.

(c) Production royalty payments shall be made by Assignee on or before thirty (30) days after receipt of final settlement and final payment by the smelter, refinery, or other ore buyer to Assignee for the minerals sold and for which the production royalty is payable. All royalty payments shall be by cashier's check, and production royalty payments shall be accompanied by a statement and settlement sheet showing the quantities and grades of metals, ores, minerals, or materials mined and sold from the lode mining claims and the properties, proceeds of sale, costs, assays and analyses, and other pertinent information in sufficient detail to explain the calculation of the production royalty payment.

(d) No royalties shall be payable on the first 15,000 ounces of gold produced from the lode mining claims and the properties.

5. No Warranty. Assignor makes no warranty, express or implied.

6. Inurement. All covenants, conditions, limitations, and provisions herein contained shall apply and are binding upon the parties hereto, their heirs, representatives, successors, and assigns.

IN WITNESS WHEREOF, the parties hereto have executed this Quitclaim Deed and Assignment as of the day and year first above written.

WESTERN STATES MINERALS CORPORATION

By _____
Arden B. Morrow, President

ASOMA (UTAH) INC.

By: _____
E.B. King, President